



COUNCIL OF THE DISTRICT OF COLUMBIA
OFFICE OF COUNCILMEMBER BROOKE PINTO
THE JOHN A. WILSON BUILDING
1350 PENNSYLVANIA AVENUE, N.W., SUITE 106
WASHINGTON, D.C. 20004

October 18, 2021

Nyasha Smith, Secretary
Council of the District of Columbia
1350 Pennsylvania Avenue, N.W., Suite 5
Washington, DC 20004

Dear Secretary Smith,

Today, I am introducing the "Rediscover Equitable Central Occupancy Vitality and Encourage Resilient Yield (RECOVERY) Amendment Act of 2021." Please find attached a signed copy of the legislation.

The purpose of the Rediscover Equitable Central Occupancy Vitality and Encourage Resilient Yield Amendment Act of 2021 ("Recovery Act") is to provide a comprehensive and inclusive economic recovery package for the Central Business District ("CBD"). The RECOVERY Act is targeted at those District residents, workers, and businesses hardest hit by the pandemic, with the goal of transforming the CBD from solely commercial uses to a vibrant city core that drives growth for the next generation.

The CBD is at a critical juncture. With its concentration of commercial offices, the CBD has long been a driver of the city's economy. However, in the wake of the societal changes brought by the COVID-19 pandemic, the CBD must reimagine itself for the future. The pandemic has taken a heavy toll on the CBD, resulting in 5 million square feet of vacant office space and retail vacancy rates at record highs. Only a fraction of the CBD's former workforce now works from their offices, causing transit ridership to dramatically drop and daytime foot traffic to all but disappear.

Unless we take strong action now, there will be a significant loss of District sales tax revenue as the CBD's commercial real property tax base continues to erode into the future. If the District does not soon change the current course of the CBD, the decline will undermine our recovery and cause lasting harm to the city. We will have squandered a unique opportunity for equitable and shared growth.

To chart the necessary new course for the CBD, the RECOVERY Amendment Act advances three strategies of tax incentives and grant programs that together will catalyze growth for a resilient CBD that benefits the entire District:

- **Incentivizing Mixed Uses** – The Recovery Act provides for a real property tax abatement to incentivize the conversion of office space to workforce housing, hotel, retail, restaurant, sports,

entertainment, and cultural uses. The Recovery Act requires that certain conditions be met for the abatements, including requiring CBE, First Source, and economic inclusion agreements. Hotels are required to enter into project labor agreements and retailers must enter into economic inclusion agreements. Further incentives are offered for developing family size residential units and finally, retail and restaurants would benefit directly from reduced taxes under triple-net leases.

- Attracting Businesses to the CBD – Modeled after other recovery initiatives launched in the District and Maryland, the Recovery Act offers two-year operational grants for businesses that come to or expand in the CBD and for building owners that provide benefits to existing CBD business tenants.
- Catalyzing Innovation – Complementing the new Pennsylvania Avenue Innovation District and based upon the START-UP NY program in New York, the Recovery Act provides temporary tax relief for innovative businesses that locate in the CBD and meet hiring and economic inclusion requirements.

Through the Recovery Act, currently empty or underutilized commercial buildings will be repurposed for the future. Mixed use and inclusive development will bring residents and workers downtown and near to high-growth jobs and opportunities and will generate new revenue for the city. By enacting and funding a transformative CBD recovery package now, we will ensure that the District's downtown core does not just rejuvenate itself, but also builds upon its past successes and sustains the District's recovery as a more equitable and resilient city for the 21st century.

Should you have any questions about this legislation, please contact my Legislative Director, Barry Weise, at bweise@dccouncil.us.

Thank you,



Brooke Pinto

1
2
3
4 A BILL
5
6
7

8 IN THE COUNCIL OF THE DISTRICT OF COLUMBIA
9
10
11

12
13 To establish incentives to transform the Central Business District into a place to live, work, and
14 play, and to promote the equitable and resilient recovery of the entire District of
15 Columbia.
16

17 BE IT ENACTED BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this
18 act may be cited as the “Rediscover Equitable Central Occupancy Vitality and Encourage
19 Resilient Yield (RECOVERY) Amendment Act of 2021”.

20 Sec. 2. Chapter 8 of Title 47 of the District of Columbia Official Code is amended as
21 follows:

22 (a) The table of contents is amended by adding a new section designation to read as
23 follows:

24 “47-859.07. Rediscover Equitable Central Occupancy Vitality and Encourage Resilient Yield
25 (RECOVERY).”.

26 (b) A new section 47-859.07 is added to read as follows:

27 “Sec. 47-859.07. Rediscover Equitable Central Occupancy Vitality and Encourage Resilient
28 Yield (RECOVERY).

29 “(a) Real property tax imposed by section 47-811 shall be abated and real property shall
30 be exempt from tax imposed by sections 47-903 and 42-1103; provided, that:

31 “(1) The real property is designated and certified as eligible to receive a tax
32 abatement and a tax exemption by the Deputy Mayor pursuant to subsection (d) of this section;

33 “(2) The real property is located within:

34 “(A) The Downtown Business Improvement District, as defined in section
35 2-1215.51(b); or

36 “(B) The Golden Triangle Business Improvement District, as defined in
37 section 2-1215.52(b);

38 “(3) With respect to real property abated from tax imposed by section 47-811, for
39 the duration of the period set forth in subsection (b)(2)(A) of this section and with respect to real
40 property exempted from tax imposed by sections 42-903 and 47-1103, at the applicable time,
41 there is a change in use resulting in the development or redevelopment, of:

42 “(A) Housing units, provided that at least 20% of the housing units are
43 affordable to and rented by households earning on average 80% or less of the median family
44 income; provided, that during such period no such household earns more than 100% of the
45 median family income;

46 “(B) One or more establishments in the hotel sector, provided, that any
47 establishment shall enter into a project labor agreement;

48 “(C) One or more establishments in the retail sector, provided, that any
49 establishment shall enter into an agreement with the Deputy Mayor requiring such economic
50 inclusion requirements for the operations of the establishment that the Deputy Mayor may
51 require;

52 “(D) One or more establishments in the restaurant sector; or

53 “(E) One or more establishments in the sports, entertainment, and culture
54 sector, provided, that the establishments shall occupy at least 50% of the gross floor area of the

55 development; and

56 “(4) Real property abated from tax imposed by section 47-811 also meets the
57 requirements of subsection (b) of this section.

58 “(5) Real property exempted from tax imposed by sections 42-903 and 47-1103
59 also meets the requirements of subsection (c) of this section.

60 “(b)(1) In addition to the requirements of subsection (a) of this section, real property tax
61 imposed by section 47-811 shall:

62 “(1) Be abated if the developer:

63 “(A) Files a covenant in the land records of the District, binding
64 the developer and all of its successors in interest with respect to the property, covenanting to
65 comply with the applicable requirements of subsection (a)(3) of this section;

66 “(B) Enters into an agreement with the District that requires the
67 developer to, at a minimum, contract with certified business enterprises for at least 35% of the
68 contract dollar volume of the construction and operations of the project, in accordance with
69 section 2-218.46;

70 “(C) Enters into a First Source Agreement for the operations of the
71 project;

72 “(D) Enters into an agreement with the Deputy Mayor requiring
73 such economic inclusion requirements for the construction and operations of the project as the
74 Deputy Mayor may require; and

75 “(E) The developer enters into an agreement with the Deputy
76 Mayor setting forth the requirements of this subsection and such other terms and conditions as
77 the Deputy Mayor considers appropriate.

78 “(2) The tax abatement shall:

79 “(A) Begin in the tax year immediately following the tax year during
80 which the certificate of occupancy was issued for the use counting toward satisfying the
81 requirements of subsection (a)(3) of this section and shall continue until the 35th tax year after
82 the tax year during which such certificate is issued.

83 “(B) Be in the amount 100% of the real property’s tax liability during each
84 property tax year in which the tax abatement is in effect; provided, that for a real property that is
85 eligible only under subsection (a)(3)(C) or subsection (a)(3)(D) of this section, the amount shall
86 be the pro rata share of the gross floor area occupied by the eligible use.

87 “(C) Not exceed a total of \$10 million, increased by 4% in Fiscal Year 2024 and
88 further increased by 4% in each fiscal year thereafter.

89 “(c) In addition to the requirements of subsection (a) of this section, real property shall be
90 exempt from tax imposed by sections 42-903 and 47-1103, if:

91 “(1) The real property is eligible under subsection (a)(3)(A) of this section
92 and least 10% of any housing units developed or redeveloped are family-sized; or

93 “(2) The real property is eligible under subsection (a)(3)(B) or subsection
94 (a)(3)(E) of this section.

95 “(d) The Deputy Mayor:

96 “(1) May through a competitive process, designate real property to be eligible to
97 receive a tax abatement and a tax exemption under this section.

98 “(2) Shall certify to the Office of Tax and Revenue the eligibility of a real
99 property for an abatement provided by this section. The certification shall include:

100 “(A) A description of the real property by street address, square, suffix,
101 and lot;

102 “(B) A statement that the conditions of subsection (a) of this section have

103 been satisfied;

104 “(C) The date the certificate of occupancy was issued for the use counting
105 toward satisfying the requirements of subsection (a)(3) of this section;

106 “(D) For real property tax imposed by section 47-811:

107 “(i) The date the tax abatement begins and ends under subsection
108 (b)(2)(A) of this section; and

109 “(ii) The amount of abatement allocated to the property pursuant to
110 subsection (b) of this section; and

111 “(E) Any other information that the Deputy Mayor considers necessary or
112 appropriate.

113 “(3)(A) If at any time the Deputy Mayor determines that the real property has
114 become ineligible for the abatement provided by this section, the Deputy Mayor shall notify the
115 Office of Tax and Revenue and shall specify the date that the property became ineligible.

116 “(B) The entire property shall be ineligible for the abatement on the first
117 day of the tax year following the date when the ineligibility occurred.

118 “(e) The tax abatement provided by this section shall be in addition to, and not in lieu of,
119 any other tax relief or assistance from any other source.

120 “(f) The requirements of the First Source Act shall not apply to the construction or
121 development of a project developed on real property designated by the Deputy Mayor pursuant
122 to subsection (b) of this section.

123 “(g) For purposes of this section, the term:

124 “(1) “CBE Act” means the Small and Certified Business Enterprise Development
125 and Assistance Act of 2005, effective October 20, 2005 (D.C. Law 16-33; D.C. Official Code §
126 2-218.01 *et seq.*).

127 “(2) “Certified business enterprise” means a business enterprise or joint venture
128 certified pursuant to the CBE Act.

129 “(3) “Deputy Mayor” means the Deputy Mayor for Planning and Economic
130 Development..

131 “(4) “Developer” means the owner of the use developed or redeveloped on real
132 property eligible for a tax abatement under this section.

133 “(5) “Family unit” means a rental unit with 3 or more bedrooms.

134 “(5) “First Source Act” means the First Source Employment Agreement Act of
135 1984, effective June 29, 1984 (D.C. Law 5-93; D.C. Official Code § 2-219.01 *et seq.*).

136 “(6) “First Source Agreement” means an agreement with the District governing
137 certain obligations of the Developer pursuant to section 4 of the First Source Act (D.C. Official
138 Code § 2-219.03), and Mayor’s Order 83-265, dated November 9, 1983, regarding job creation
139 and employment.

140 “(7) “Hotel” has the meaning set forth in Section 199.1 of Title 14 of the DCMR.

141 “(8) “Median Family Income” has the meaning set forth in section 101(5) of the
142 Inclusionary Zoning Implementation Amendment Act of 2006, effective September 23, 2017
143 (D.C. Law 16-275; D.C. Official Code § 6-1041.01(5)).

144 “(9) “Restaurant” means full-service restaurants, including limited-service
145 restaurants, fast food restaurants, and food service providers such as cafes, delicatessens, coffee
146 shops, supermarkets, grocery stores, and cafeterias.

147 “(10) “Retail” means an establishment that is engaged in direct onsite sales of
148 general merchandise goods to consumers.

149 “(11) “Sports, entertainment, and culture sector” means an establishment that is
150 open to the public for entertainment, leisure, or cultural purposes, including bars, entertainment

venues, nightlife establishments, theatres, sports, recreation and entertainment venues, art galleries, and cultural institutions.”.

Sec. 3. Rediscover Equitable Central Occupancy Vitality and Encourage Resilient Yield (RECOVERY) Grant Program.

“(a)(1) Notwithstanding the Grant Administration Act of 2013, effective December 24, 2013 (D.C. Law 20-61; D.C. Official Code § 1-328.11 *et seq.*), the Mayor, in the sole Mayor discretion of the Mayor, may issue a two-year grant to an eligible business in accordance with this section and regulations issued pursuant to this section; provided, that:

“(A) The eligible business is located in:

“(i) The Downtown Business Improvement District, as defined in section 2-1215.51(b); or

“(ii) The Golden Triangle Business Improvement District, as defined in section 2-1215.52(b);

“(B) The eligible business demonstrates, to the satisfaction of the Mayor, that it is opening or expanding in a retail or commercial space that has been vacant at least 6 months prior to applying;

“(C) The eligible business submits a grant application in the form and with the information required by the Mayor; and

“(D) A grant is equivalent to the sales and use tax paid by the eligible business annually, provided, that at least 20% of the total grant funds disbursed are set aside for one or more eligible businesses that is:

“(i) Also, or is eligible to be, a resident-owned business and a small business enterprise as those terms are defined, respectively, in section 2302(15) and (16); and

175 “(ii)(I) At least 51% owned by a woman or a majority of women;
176 or

177 “(II) Is, or eligible to be, a disadvantaged business
178 enterprise, as that term is defined in section 2302(5).

179 “(2) An eligible business awarded a grant pursuant to this section may use the
180 grant funds for activities and costs related to sustaining and growing the business, such as staff
181 costs, capital improvements, marketing, inventory and supplies, and utilities; provided, that no
182 amount of the grant shall be used for executive salaries and bonuses.

183 “(b)(1) The Mayor may award a two-year grant to a lessor of property that leases to an
184 eligible business located in the central business district; provided, that the lessor shall only
185 qualify after demonstrating to the Mayor, in a form acceptable to the Mayor, rental income
186 limited to the property leased to the eligible business and that the lessor has abated rent payments
187 or otherwise provided a benefit, including a tenant improvement allowance, to the eligible
188 business in an amount equal in value to at least twice the amount of the grant.

189 “(2)(A) If, during the 18 months following receipt of an award pursuant to this
190 subsection, a lessor who receives an award pursuant to this subsection terminates a lease
191 agreement with an eligible business, the lessor shall notify the Mayor of the termination of the
192 lease agreement.

193 “(B) The lessor shall provide evidence that the termination was with the
194 consent of the eligible business, in a form determined by the Mayor.

195 “(c) The Mayor may award one or more grants to a third-party grant-managing entity for
196 the purpose of administering the program pursuant to this section and making subgrants on
197 behalf of the Mayor in accordance with the requirement of this section or regulations issued
198 pursuant to this section.

199 “(d) The Mayor, pursuant to section 105 of the District of Columbia Administrative
200 Procedure Act, approved October 21, 1968 (82 Stat. 1206; D.C. Official Code 2-505), may issue
201 regulations to implement the provisions of this section.

202 “(e)(1) The Mayor and any third-party entity chosen pursuant to subsection (c) of this
203 section, shall maintain a list of all grants awarded pursuant to this section, identifying for each
204 award the grant recipient, the date of award, intended use of the award, and the award amount.

205 “(2) The list shall be published in the D.C. Register every six-months.

206 “(f) For purposes of this section, the term “eligible business” means a business enterprise
207 eligible for certification under section 2331.”.

208 Sec. 4. Rediscover Equitable Central Occupancy Vitality and Encourage Resilient Yield
209 (RECOVERY) Tax Relief.

210 “(a) A business certified as eligible pursuant to subsection (d) of this section shall be
211 exempt from the gross sales tax imposed by Chapter 20 of Title 47 of the District of Columbia
212 Code for the period set forth in subsection (c) of this section; provided, that:

213 “(1) The business will locate in the central business district in commercial or
214 retail space that has been vacant at least 6 months;

215 “(2) The business is designated by the Mayor pursuant to subsection (b) of this
216 section;

217 “(3) For the duration of the period set forth in subsection (c) of this section, the
218 business meets such hiring and economic inclusion requirements as the Mayor shall require; and

219 “(4) The business is:

220 “(A) In the formative stage of development; or

221 “(B) Engaged in the design, development, and introduction of new
222 biotechnology or information technology.

223 “(b) The Mayor may through a competitive process, designate a business to be eligible to
224 receive the tax exemption under this section; provided, that a business may apply in partnership
225 with an institution of higher learning.

226 “(c) The tax exemption provided for by this section shall begin in the tax year
227 immediately following the tax year during which the eligible business is certified pursuant to
228 subsection (d) of this section and shall continue until the end of the 10th tax year thereafter.

229 “(d)(1) The Mayor shall certify to the Office of Tax and Revenue a business’s eligibility
230 for the abatement provided by this section. The certification of the Mayor shall include:

231 “(A) The name of the business entity;

232 “(B) The date the tax abatement begins and ends under subsection (c) of
233 this section;

234 “(C) A statement that the conditions of subsection (a) of this section have
235 been satisfied;

236 “(D) The amount of abatement allocated to the property pursuant to
237 subsection (b) of this section; and

238 “(E) Any other information that the Deputy Mayor considers necessary or
239 appropriate.

240 “(2)(A) If at any time the Mayor determines that the business has become
241 ineligible for the exemption provided by this section, the Mayor shall notify the Office of Tax
242 and Revenue and shall specify the date that the business became ineligible.

243 “(B) The business shall be ineligible for the exemption on the first day of
244 the tax year following the date when the ineligibility occurred.

245 “(e) The tax exemption provided by this section shall be in addition to, not in lieu of, any
246 other tax relief or assistance from any other source.

247 “(f) For purposes of this section, the term:

248 “(1) “Business” means an entity organized for profit or not for profit.

249 “(2) “Central business district” means:

250 “(A) The Downtown Business Improvement District, as defined in section

251 2-1215.51(b); or

252 “(B) The Golden Triangle Business Improvement District, as defined in

253 section 2-1215.52(b).

254 “(g) The Mayor, pursuant to Title I of the District of Columbia Administrative Procedure

255 At, approved October 21, 1968 (82 Stat. 1204; D.C. Official Code § 2-501 *et seq.*), may issue

256 regulations to implement this section.”.

257 Sec. 5. Fiscal impact statement.

258 The Council adopts the fiscal impact statement in the committee report as the fiscal

259 impact statement required by section 602(c)(3) of the District of Columbia Home Rule Act,

260 approved December 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(3)).

261 Sec. 6. Effective date.

262 This act shall take effect following approval by the Mayor (or in the event of veto by the

263 Mayor, action by the Council to override the veto), a 30-day period of congressional review as

264 provided in section 602(c)(1) of the District of Columbia Home Rule Act, approved December

265 24, 1973 (87 Stat. 813; D.C. Official Code § 1-206.02(c)(1)), and publication in the District of

266 Columbia Register.